Auditor-General of South Africa

Mkhambathini Municipality – audit report 2015-16

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mkhambathini Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Additional matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes

8. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Unaudited supplementary schedules

9. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly, I do not express an opinion thereon.

Report on other legal and regulatory requirements

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

11. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the basic service delivery and infrastructure development objective presented in the annual performance report of the municipality for the year ended 30 June 2016.

12. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

13. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information.

14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

15. I did not identify any material findings on the usefulness and reliability of the reported performance information for the basic service delivery and infrastructure development objective.

Additional matters

16. I identified no material findings on the usefulness and reliability of the reported performance information for the selected objective; however, I draw attention to the following matters:

Achievement of planned targets

17. The annual performance report on pages x to x includes information on the achievement of the planned targets for the year.

Adjustment of material misstatements

18. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for the basic service delivery and infrastructure development objective. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Unaudited supplementary schedules

19. The supplementary information set out on pages xx to xx does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

Compliance with legislation

20. I performed procedures to obtain evidence that the municipality complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements

21. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

22. Reasonable steps were not taken to prevent irregular, fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Internal control

23. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Leadership

24. Leadership did not provide adequate oversight over financial reporting and compliance with laws and regulations. This was due to the lack of understanding of legislative requirements.

Financial management

25. There was inadequate supervision and monitoring of the financial management reporting function of the municipality, resulting in the system of financial and internal controls not preventing, detecting and correcting material non-compliance.

Governance

26. There was inadequate review of financial reporting and compliance with applicable legislation by internal audit and audit committee during the year resulting in the internal controls not preventing, detecting and correcting material non-compliance.

Auditor-General

Pietermaritzburg

30 November 2016

AUDITOR-GENERAL
SOUTH AFRICA

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